TESTIMONY OF

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BANK OF AMERICA

Before the

HOUSE FINANCIAL SERVICES COMMITTEE

UNITED STATES HOUSE OF REPRESENTATIVES

WASHINGTON, DC

JULY 25, 2008

Good morning, Mr. Chairman, Ranking Member Bachus and Committee Members. I am Michael Gross, Bank of America's Managing Director of Loan Administration/Loss Mitigation. Thank you for the opportunity to appear here today to discuss the efforts of servicers like Bank of America to help families prevent avoidable foreclosures. Let me start by saying that our goal is to modify and workout at least $40 billion in mortgages by the end of 2009, and keep all those families in their homes.

I also want to congratulate the Chairman and this committee on the vital housing legislation that the House approved on Wednesday. This legislation will be important to the long term viability of home financing and the short term stability of the housing market. We believe it will help both homeowners and potential homeowners alike.

As America's largest home loan provider, Bank of America will lead a new era of home lending built on secure, transparent and fair practices, easily understood and available to all who can afford to own a home. To accomplish this, we are improving the mortgage origination process through safer and simpler product offerings, enhanced sales and underwriting controls, and strengthened channels of distribution. We are working to reduce the number of foreclosures, to help families and communities impacted by foreclosure, and continuing to make affordable prime mortgages available to those traditionally underserved, including low- to moderate-income and minority households.

The Countrywide acquisition was officially closed on July 1st, barely three weeks ago. That day marked the beginning of a new direction for the mortgage lending business. Barbara Desoer, a 31-year veteran at Bank of America has assumed the position of President of the combined mortgage, home equity and insurance business. We understand that we now have the opportunity to renew America's confidence in homeownership with unmatched capabilities to deliver the products homebuyers need and understand and to give customers first class service.

We know that consumers who are experiencing financial challenges, but who ultimately have the ability to repay their loans, often need our help to stay in their homes. We are ready to help them. We do so because *no one* benefits from a foreclosed home. At the core of our combined operations are the substantial commitments we made to use responsible mortgage lending practices and to engage in aggressive loss mitigation efforts to help borrowers avoid foreclosures and remain in their homes. Bank of America is devoting substantial resources to modifying and working out loans for borrowers who are facing default and possible foreclosure. We are continuing many effective home retention practices *already in place*, improving and supplementing these practices where we can, including: 1) robust processes for identifying and contacting at risk customers in need of assistance; 2) special strategies for subprime borrowers holding hybrid adjustable rate mortgages; and 3) refinancing, loan modification and other restructuring tools that make the borrower's debt affordable. We will continue to work with investors, the GSEs, regulators and community partners to identify ways to improve our ability to reach customers with affordable home retention solutions.

We are devoting substantial human and financial resources to these important tasks. As previously noted, through focused effort and determination, by the end of 2009 Bank of America believes we can successfully modify or workout at least $40 billion in troubled mortgage loans – helping over a quarter million customers remain in their homes.

We are tailoring our workout strategies to a borrower's particular circumstance. Once we have been able to make customer contact, we work with distressed borrowers to match the customer's repayment ability with the appropriate option – using tools such as loan modifications, forbearances and repayment plans, lower rates and other loss mitigation methods. We are not assessing new late charges for customers in foreclosure and, in certain circumstances we are waiving prepayment fees.

In response to the needs of our customers, we have added more staff and improved the experience, quality and training of the professionals dedicated to loss mitigation. Over the past year, the combined home retention staffs have more than doubled, and the company has committed to maintaining no less than 3,900 home retention staff to assist borrowers, for at least one year from the date of the merger. I want to emphasize that is a floor and we currently have 4,700 home retention staff and will maintain staff to ensure that we are able to me our customers' needs.

We are continuing to be proactive in contacting customers with adjustable rate mortgages who are facing a significant rate reset to provide assistance before a problem hits. We are continuing to educate borrowers about risks, and the options available to them. Importantly, we will be tireless in our efforts to develop reasonable workout solutions for distressed borrowers who want to stay in their homes.

We clearly recognize that there is still much more to be done. Today's market conditions challenge us both to expand our existing home retention efforts as well as to develop new approaches which will mitigate losses for investors. This is a critically important balancing act that must be done right if we as an industry are going to preserve the flow of mortgage credit to support housing, and at the same time protect communities and neighborhoods from avoidable foreclosures.

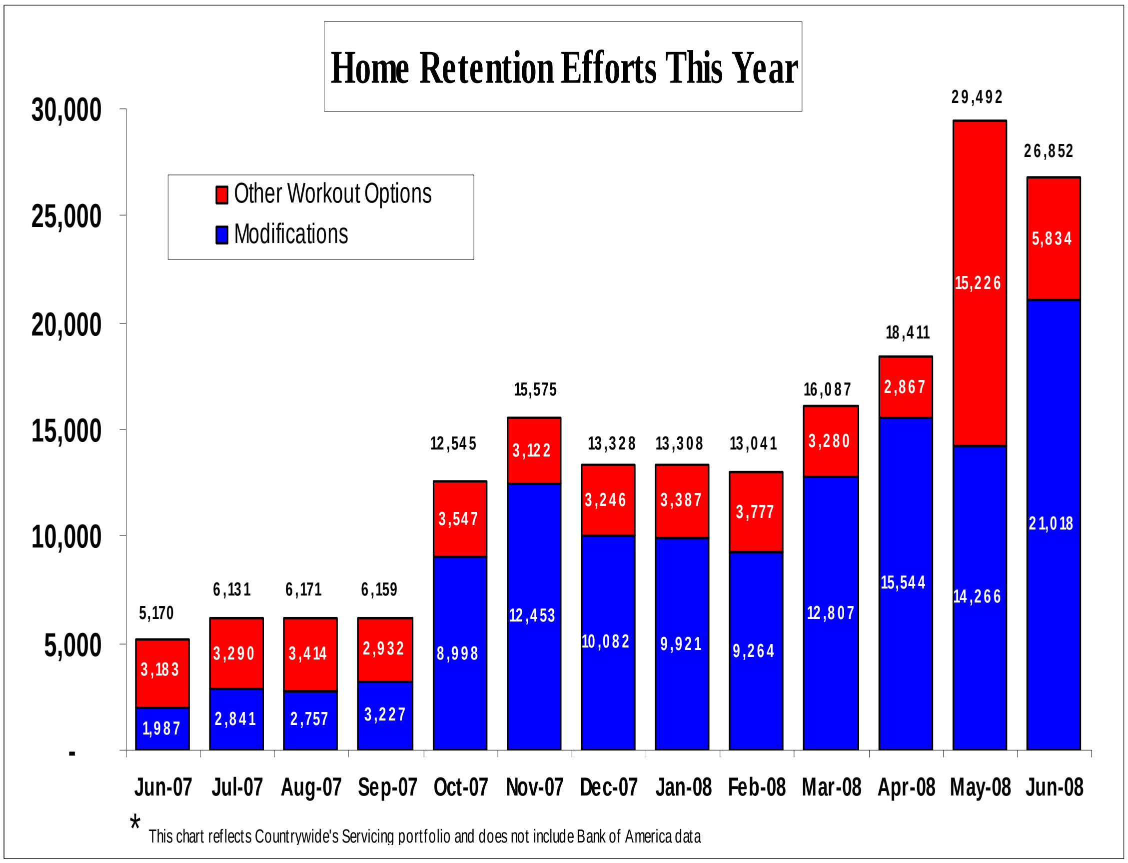
Bank of America remains committed to helping our customers avoid foreclosure whenever they have a reasonable source of income and a desire to remain in the property. A key component of successful loss mitigation initiatives undertaken by national servicers includes partnerships with financial counseling advocates and community based organizations such as NeighborWorks, ACORN, NACA and the Homeownership Preservation Foundation. At Bank of America, we are expanding our outreach to ensure that every customer that needs help and can make reasonable mortgage payments is reached. We are also actively engaged in foreclosure prevention outreach programs with both governmental and community organizations around the country. The data we are sharing today is from the legacy Countrywide portfolio, as systems integration has not yet occurred.

So far in 2008, we have participated in nearly 200 home retention outreach events around the country, including foreclosure prevention and "train the trainer" events.

Early and open communication with customers is the most critical step in helping prevent foreclosures. We are proactively reaching out to customers by:

- Making an average of 17 attempts per month to contact delinquent homeowners through phone, mail and other means.
- Reaching out to borrowers through outbound calls, including nearly 10 million calls in June.
- Mailing, on average, 900,000 personalized letters and cards each month that offer customers the choice to contact Bank of America, a HUD-approved housing agency, or a nonprofit housing organization.
- Sending counselors to offices all over the nation to meet directly with homeowners who need assistance.

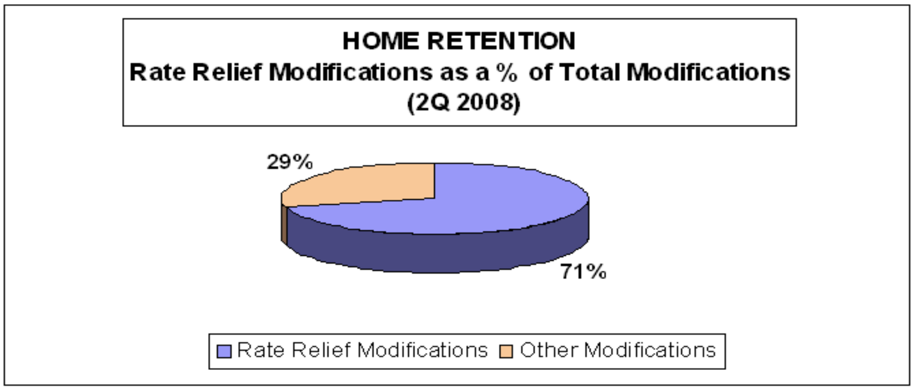
In the first half of 2008, our Home Retention Division saved over 117,000 homeowners from foreclosure, nearly double the pace from the last 6 months of 2007. The pace continues to improve. In April, May, and June 2008, our most recent data, we completed almost 75,000 home retention workouts in these three months alone. I would emphasize here that these are workouts in which the borrower enters into a plan to *keep their homes*. It does *not* include deeds in lieu of foreclosures or short sales.



Comparing June 2008 with June 2007, our Home Retention Division workouts are up nearly 420%. The primary cause of that increase was a 958% jump in loan modification plans, from about 2,000 modifications in June of last year, to more than 21,000 in June 2008.

In addition to sharply increasing the pace of workouts, we have also become more aggressive in the types of workout plans completed. Since we announced a series of home retention initiatives last autumn, loan modifications have become the predominant form of workout assistance. Year to date, through June of 2008, loan modifications have accounted for more than 70% all home retention plans, while repayment plans accounted for 14% of home retention plans. Prior to the programs we, and the industry, announced last year, loan modifications accounted for less than a third of all home retentions. These loan modification plans generally result in reducing the loan's interest rate, and consequently reducing the borrower's monthly payment. These plans offer affordable solutions to the financial challenges facing many homeowners today.

Interest rate relief modifications – where the servicer freezes or reduces the borrower's interest rate – were extremely rare until late last year. Today, that is not the case. Interest rate modifications accounted for 71% of all the loan modifications Countrywide completed in the second quarter 2008. Importantly, the vast majority of these rate relief modifications have duration of at least 5 years.



Bank of America is committed to helping our borrowers avoid foreclosure whenever they have a desire to remain in the property and a reasonable source of income. Foreclosure is always a last resort for lenders, for servicers and for the investors in the mortgage securities we service. Please be assured that we are up to the task of meeting the challenges of today's housing market with leading-edge foreclosure prevention technology, training, programs and partnerships.

Thank you and I would be happy to answer any questions you might have.